

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2036 - SB 2600

February 16, 2016

SUMMARY OF BILL: Authorizes property owners to file an application with the county property assessor in order for a property to receive classification as low-income housing property by April 1 of the year in which the classification is sought. In years where the county is carrying out general property reappraisal, the owner must apply for the classification by April 1 or before the final yearly adjournment of the county board of equalization.

Requires county assessors' determination of low-income housing property classification of properties restricted under the regulations pursuant to Section 42 of the Internal Revenue Service Code of 1986 on a carryover allocation agreement or its equivalent between the owner of the property and the Tennessee housing development or its successor.

Requires county assessors' determination of low income properties financed or refinanced by a loan made, insured or guaranteed by a branch, department, or agency of the US government under § 515 of the Housing Act of 1949, the rural rental housing program, to be based upon the existence of an obligation of funding or its equivalent between the owner and the branch, department or agency of the United States government under the rural rental housing program.

Requires the assessor to discontinue the classification of the property as low-income housing property unless the owner certifies, upon the request of the assessor in certain years, that the property continues to qualify as a low-income housing property. Sets forth the process for re-certification of such properties after their sale.

Requires a parcel of property classified by the property assessor as low-income housing property to be valued in accordance with its present value determined by reference to the gross income of the property from the property's restricted rents. Requires present value calculations to not take into account or assign any value to the subsidies associated with a property.

After the classification of property as low-income housing property, the assessor is required to appraise the property and complete the property assessment annually based upon the value of the property taking into the account and assigning value to the subsidies associated with the property and the present use value of the property as low-income housing property.

If a property ceases to be qualified as a low-income housing property, rollback taxes may be assessed. If a property maintains its classification as low-income housing property, then taxes shall be assessed and paid only on the basis of the present value as low-income housing property.

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If a previously classified low-income housing property ceases to qualify as low income housing property, its property assessment shall be based upon the value of the property, taking into account the assigned value of any subsidies associated with the property. It is the responsibility of the applicant to notify the assessor of any change in the use or ownership of the property that may affect its eligibility for classification as low-income housing property.

ESTIMATED FISCAL IMPACT:

Decrease Local Revenue – \$4,313,700

Assumptions:

- According to information provided by the Comptroller's Office, the provisions of the bill would affect 14,336 units in 337 properties currently classified as Internal Revenue Service Section 42 (Section 42) or Section 515 of the Federal Housing Act (Section 515) low-income housing properties.
- Calculations provided by the Comptroller's Office detailing the impact on all properties, by county, by tax rate, have been omitted for brevity but are on file with Fiscal Review staff and are available upon request.
- Based on data provided by the Comptroller's Office detailing the appraised property value, restricted rent value, restricted appraised property value, and effective tax rate imposed on each restricted appraised property value, the cumulative decrease in local property tax revenue resulting from exclusion of subsidies and the restriction of present value to rent income of the 14,336 eligible Section 42 and Section 515 properties is \$4,313,664.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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